

REPORTS ANALYSIS REFERRAL
TO
OFFICE OF GENERAL COUNSEL

DATE: October 1, 1997

ANALYST: Debbie Manzano

- I. COMMITTEE: DNC Services Corporation/Democratic National
Committee (C00010603)
Carol Pensky, Treasurer
(1/29/97 to Present)
R. Scott Pastrick, Treasurer
(8/19/95-2/28/97)
430 South Capitol Street SE
Washington, DC 20003
- II. RELEVANT STATUTE: 2 U.S.C. §441a(a)(2)(C)
11 CFR §102.5 and 106.5
- III. BACKGROUND:

**Apparent Excessive and Prohibited Contributions made to a Federal Committee
and Apparent Impermissible Non-Federal Reimbursement Received**

The DNC Services Corporation/Democratic National Committee ("DNC") disclosed \$309,129.71 in payments to the Hollywood Women's Political Committee ("HWPC"), a federal committee, during calendar year 1996. The payments were reimbursements to the HWPC for fundraising costs paid for by the HWPC on behalf of the DNC. Specifically, the purpose of the payments were described as production costs, equipment rental, telephones, and messenger services for a fundraising event titled Victory '96. The DNC paid the HWPC for this activity with allocated (federal and non-federal) monies, resulting in the receipt of impermissible funds by the HWPC. In addition, the DNC received reimbursement from its non-federal account for the non-federal share of this activity. The payments were disclosed on the 1996 October Quarterly, 1996 12 Day Pre-General, and 1996 30 Day Post-General Reports.

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On March 12, 1997, a Request for Additional Information ("RFAI") was sent to the DNC for the 1996 October Quarterly Report (Attachment 2) and a separate RFAI was sent for the 1996 12 Day Pre-General Report (Attachment 3). The RFAIs stated that the \$305,845.96 in payments made to the HWPC on September 6 and October 3, 1996 constitute contributions to another political committee, and are therefore not an activity that can be paid for with allocated (federal and non-federal) monies. In addition, the RFAIs explained that 2 U.S.C. §441a(a) precludes a committee from making contributions to another political committee in excess of \$5,000 per calendar year. Lastly, the RFAIs stated that reimbursements from the non-federal account for transfers and contributions to other committees is not permissible under 11 CFR §102.5. The RFAIs recommended that the DNC immediately transfer back to its non-federal account, the total amount received by its federal account for this activity, and that the DNC notify the recipient committee and request a refund of the amount in excess of \$5,000, if an excessive contribution was made.

On March 14, 1997, Neil Reiff, a lawyer for the DNC, called the RAD analyst. Mr. Reiff made reference to the RFAI dated March 12, 1997 regarding the issue with the HWPC. He wanted to know how the HWPC reported the receipt of these payments, and who the contact person was for the HWPC. The RAD analyst indicated that the analyst assigned to the committee may have this information and gave him the name of the analyst. Mr. Reiff asked the analyst if the payments would still be considered excessive if the HWPC disclosed the receipt of such payments as offsets to operating expenditures. The analyst explained that the activity as reported by the DNC would still be at issue. Mr. Reiff stated that the lawyers for the DNC would be meeting next week and a response will be filed soon (Attachment 4).

On March 27, 1997, the DNC filed letters in response to the RFAIs for the 1996 October Quarterly and 12 Day Pre-General Reports. The letters stated that "[t]he DNC vehemently disagrees with the FEC's characterization of this transaction." and that each payment reflects a reimbursement for fundraising costs paid for by the HWPC on behalf of the DNC. The letters went on to explain that the payments made by HWPC reflect arms length transactions with commercial vendors on behalf of the DNC for a fundraising event held by the DNC, and that these payments to the HWPC reflect dollar-for-dollar reimbursements for those costs. The letters expressed that the payments were properly disclosed as allocable fundraising costs on Schedule H4 of the DNC's report, and that it was entitled to transfer funds from its non-federal account to its federal account to pay for the non-federal portion of this fundraising expense. The responses specifically referenced Advisory Opinion ("AO") 1995-22 to argue that the position of the FEC, regarding the payments being contributions, is clearly at odds with FEC

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precedent. The responses also referenced MURs 2345 and 2611, concluding that it is apparent that the Commission has consistently held that not all transfers between two federally registered political committees are, by definition, contributions (Attachment 5).

On April 7, 1997, a Second Notice was sent to the DNC referencing both the 1996 October Quarterly and 1996 12 Day Pre-General Reports. The Second Notice stated that the examples cited by the DNC in its response of March 27, 1997 were not analogous to its present situation. The Second Notice addressed AO 1995-22 first, stating that it involves two affiliated national party committees disclosing reimbursements as negative disbursements on Schedule H4. The Second Notice also addressed MUR 2345 and MUR 2611, stating that they were not applicable examples because both involve a state party committee receiving transfers from either a national party committee or a candidate committee. The Second Notice acknowledged that, if the DNC had paid the vendors directly rather than disbursing monies through the HWPC, then these expenses would be lawful shared allocable expenses. However, as the Second Notice explained, the disbursement included monies from the DNC's non-federal account, which, when contributed to another federal committee, results in the recipient committee receiving impermissible funds. The Second Notice also stated that the disbursement to the HWPC appears to exceed the contribution limit of \$5,000 for a qualified multi-candidate committee to another political committee under 2 U.S.C. §441a(a)(2)(C). The Second Notice recommended that the DNC notify the HWPC that it made a prohibited and excessive contribution and request a refund of the entire prohibited non-federal share of the "reimbursement." It also recommended that the DNC request a refund from the HWPC of the amount that exceeds \$5,000 of the federal share. Lastly, the Second Notice requested clarification concerning the role of the HWPC in the DNC's fundraising activity and the arrangement that existed between the two committees for the fundraiser (Attachment 6).

On April 18, 1997, the DNC filed a letter in response to the Second Notice dated April 7, 1997. The response stated that the Second Notice did not provide any basis for the determination made, other than the fact that the two entities involved are both federal political committees. The response went on to argue that the FEC position on this matter "ignores past FEC precedents and would lead to the result of the acceptance of a federal in-kind contribution to the DNC in the amount of \$132,922.98 (50% of the fundraising costs less \$5,000 retained by HWPC less \$15,000 limit from HWPC to DNC)." The response then reiterated the purpose of the payments made to the HWPC and maintained that the payments were properly disclosed. In addition, the response argued that the FEC precedents cited in an earlier letter, "stand for the proposition that the Commission should

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look at the nature of the transaction, and not at the entities who are involved in the transaction." The response went on to argue that these precedents demonstrate that a federal committee may reimburse another federal committee as an "operating expenditure" for costs incurred on its behalf by another committee, even though such payments may exceed the established contribution limit between those committees, and those funds may include amounts from sources that are not permissible under FECA. The response urges the FEC to reconsider its position regarding this matter, and that at this time, "the DNC has no intention of requesting a refund of any payments made to HWPC, since such payments would lead to the impermissible acceptance of an in-kind contribution by our committee. Furthermore, since the DNC believes that it was entitled to allocate these expenditures, it has no intention to request a refund of the non-federal portion of these expenditures" (Attachment 7).

On April 23, 1997, an RFAI was sent to the DNC for the 1996 30 Day Post-General Report. The RFAI stated that the \$3,283.75 in payments made to the HWPC on October 25 and November 18, 1996 constitute contributions to another political committee, and are therefore not an activity that can be paid for with allocated (federal and non-federal) monies. In addition, the RFAI explained that 2 U.S.C. §441a(a) precludes a committee from making contributions to another political committee in excess of \$5,000 per calendar year. Lastly, the RFAI stated that reimbursements from the non-federal account for transfers and contributions to other committees is not permissible under 11 CFR §102.5. The RFAI recommended that the DNC immediately transfer back to its non-federal account, the total amount received by its federal account for this activity, and that the DNC notify the recipient committee and request a refund of the amount in excess of \$5,000, if an excessive contribution was made (Attachment 8).

On May 8, 1997, the DNC filed a letter in response to the RFAI dated April 23, 1997. The letter explained that the payments in question represent dollar-for-dollar reimbursements for payments made on behalf of the DNC by the HWPC. The response stated that the DNC reiterates its arguments in its letters of March 26, 1997 and April 18, 1997 regarding the characterization of these expenditures, and concluded by stating that the DNC will not make any transfers to its non-federal account in connection with these payments at this time (Attachment 9).

On May 22, 1997, a Second Notice was sent to the DNC for the 1996 30 Day Post-General Report. The Second Notice acknowledged that the DNC reiterated the comments made in its response dated March 27, 1997. Furthermore, the Second Notice explained that the examples cited by the DNC in its response of March 27, 1997 were not analogous to its present situation. The Second Notice

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addressed AO 1995-22 first, stating that it involves two affiliated national party committees disclosing reimbursements as negative disbursements on Schedule H4. The Second Notice addressed MUR 2345 and MUR 2611 as well, stating that they were not applicable examples because both involve a state party committee receiving transfers from either a national party committee or a candidate committee. The Second Notice acknowledged that, if the DNC had paid the vendors directly rather than disbursing monies through the HWPC, then these expenses would be lawful shared allocable expenses. However, as the Second Notice explained, the disbursement included monies from the DNC's non-federal account, which, when contributed to another federal committee, results in the recipient committee receiving impermissible funds. The Second Notice also stated that the disbursement to the HWPC appears to exceed the contribution limit of \$5,000 for a qualified multi-candidate committee to another political committee under 2 U.S.C. §441a(a)(2)(C). The Second Notice recommended that the DNC notify the HWPC that it made a prohibited and excessive contribution and request a refund of the entire prohibited non-federal share of the "reimbursement." It also recommended that the DNC request a refund from the HWPC of the amount that exceeds \$5,000 of the federal share. Lastly, the Second Notice requested clarification concerning the role of the HWPC in the DNC's fundraising activity and the arrangement that existed between the two committees for the fundraiser (Attachment 10).

On June 11, 1997, the DNC filed a letter in response to the Second Notice dated May 22, 1997. The response stated that the DNC continues to reiterate its comments made in earlier letters, and that it believes the nature of these transactions should not be altered merely because the payments to DNC vendors merely "passed through" a federal political committee. The letter goes on to argue that the HWPC has disclosed this transaction as an offset to expenditure, and not as a contribution, and that the payments constitute legitimate allocable fundraising expenses. The letter explains that the DNC does not intend to transfer any funds to its non-federal account, or to pursue any requests for a refund from the HWPC at this time (Attachment 11).

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CONNECTED ORGANIZATION: MICHIGAN DEM PTY MICHIGAN VICTORY '96					
1995	STATEMENT OF ORGANIZATION - AMENDMENT			29AUG95	2 95FEC/996/1749
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	YEAR-END - AMENDMENT	26,518,326	27,321,385	1JUL95 - 31DEC95	26 96FEC/049/3693
	YEAR-END - AMENDMENT	-	-	1JUL95 - 31DEC95	166 96FEC/057/4713
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	YEAR-END - AMENDMENT	26,517,311	27,320,370	1JUL95 - 31DEC95	5 97FEC/209/1171
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	OCTOBER QUARTERLY	- AMENDMENT 27,465,231	27,874,548	1JUL96 -30SEP96	3	96FEC/149/4523
	OCTOBER QUARTERLY	- AMENDMENT 27,615,636	28,024,952	1JUL96 -30SEP96	18	97FEC/165/0485
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	PRE-GENERAL	- AMENDMENT	-	1OCT96 -16OCT96	1	97FEC/189/2761
	PRE-GENERAL	- AMENDMENT	-	1OCT96 -16OCT96	1	97FEC/194/3914
	PRE-GENERAL	- AMENDMENT 8,474,900	6,630,837	1OCT96 -16OCT96	33	97FEC/192/4414
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PRE-GENERAL	- AMENDMENT	8,474,900	6,630,837	10CT96 -160CT96	3	97FEC/209/1181
PRE-GENERAL	- AMENDMENT	8,474,900	6,630,837	10CT96 -160CT96	3	97FEC/224/4364
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POST-GENERAL		11,490,845	14,512,739	170CT96 -25NOV96	2843	96FEC/134/0003
POST-GENERAL	- AMENDMENT	-	-	170CT96 -25NOV96	4	96FEC/149/4414
POST-GENERAL	- AMENDMENT	11,527,511	14,549,405	170CT96 -25NOV96	15	97FEC/165/0515
POST-GENERAL	- AMENDMENT	10,916,198	14,549,405	170CT96 -25NOV96	8	97FEC/165/2866
POST-GENERAL	- AMENDMENT	-	-	170CT96 -25NOV96	24	97FEC/188/0991
POST-GENERAL	- AMENDMENT	-	-	170CT96 -25NOV96	1	97FEC/189/2760
POST-GENERAL	- AMENDMENT	-	-	170CT96 -25NOV96	11	97FEC/192/1699
POST-GENERAL	- AMENDMENT	-	-	170CT96 -25NOV96	1	97FEC/194/3915
POST-GENERAL	- AMENDMENT	-	-	170CT96 -25NOV96	3	97FEC/192/4411
POST-GENERAL	- AMENDMENT	10,916,198	14,549,405	170CT96 -25NOV96	4	97FEC/192/4447
POST-GENERAL	- AMENDMENT	10,916,198	14,549,405	170CT96 -25NOV96	4	97FEC/196/2048
POST-GENERAL	- AMENDMENT	-	-	170CT96 -25NOV96	1	97FEC/201/3039
POST-GENERAL	- AMENDMENT	-	-	170CT96 -25NOV96	6	97FEC/201/2244
POST-GENERAL	- AMENDMENT	10,916,198	14,549,405	170CT96 -25NOV96	65	97FEC/201/2255
POST-GENERAL	- AMENDMENT	-	-	170CT96 -25NOV96	3	97FEC/208/0098
POST-GENERAL	- AMENDMENT	10,916,198	14,549,405	170CT96 -25NOV96	3	97FEC/209/1184
POST-GENERAL	- AMENDMENT	-	-	10CT96 -25NOV96	2	97FEC/209/3777
POST-GENERAL	- AMENDMENT	10,916,198	14,549,405	170CT96 -25NOV96	3	97FEC/224/4367
POST-GENERAL	- AMENDMENT	-	-	170CT96 -25NOV96	160	97FEC/224/4810
POST-GENERAL	- AMENDMENT	-	-	170CT96 -25NOV96	2	97FEC/240/3946
REQUEST FOR ADDITIONAL INFORMATION				170CT96 -25NOV96	2	97FEC/199/0193
REQUEST FOR ADDITIONAL INFORMATION				170CT96 -25NOV96	26	97FEC/199/0195
REQUEST FOR ADDITIONAL INFORMATION 2ND				170CT96 -25NOV96	7	97FEC/204/3813
REQUEST FOR ADDITIONAL INFORMATION				170CT96 -25NOV96	3	97FEC/206/0963
REQUEST FOR ADDITIONAL INFORMATION				170CT96 -25NOV96	4	97FEC/206/0966
YEAR-END		3,807,641	4,471,429	26NOV96 -31DEC96	1354	97FEC/165/2890
YEAR-END	- AMENDMENT	-	-	26NOV96 -31DEC96	1	97FEC/189/2759
YEAR-END	- AMENDMENT	-	-	26NOV96 -31DEC96	1	97FEC/194/3916
YEAR-END	- AMENDMENT	3,837,641	4,501,429	26NOV96 -31DEC96	4	97FEC/192/4451
YEAR-END	- AMENDMENT	-	-	26NOV96 -31DEC96	1	97FEC/193/4506
YEAR-END	- AMENDMENT	3,837,641	4,501,429	26NOV96 -31DEC96	3	97FEC/196/2052
YEAR-END	- AMENDMENT	-	-	26NOV96 -31DEC96	1	97FEC/201/3040
YEAR-END	- AMENDMENT	3,837,641	4,501,429	26NOV96 -31DEC96	14	97FEC/202/3869
YEAR-END	- AMENDMENT	-	-	26NOV96 -31DEC96	3	97FEC/205/4253

2000-2004-2005-2006

FEDERAL ELECTION COMMISSION
1995-1996
COMMITTEE INDEX OF DISCLOSURE DOCUMENTS - (C)

DATE 26SEP97

PAGE 5

COMMITTEE	DOCUMENT	RECEIPTS	DISBURSEMENTS	COVERAGE DATES	# OF PAGES	MICROFILM LOCATION TYPE OF FILER
YEAR-END	- AMENDMENT	3,837,641	4,501,429	26NOV96 -31DEC96	3	97FEC/289/1187
YEAR-END	- AMENDMENT	3,818,483	4,501,429	26NOV96 -31DEC96	4	97FEC/224/4370
YEAR-END	- AMENDMENT	-	-	26NOV96 -31DEC96	130	97FEC/232/2754
YEAR-END	- AMENDMENT	-	-	26NOV96 -31DEC96	2	97FEC/240/3948
REQUEST FOR ADDITIONAL INFORMATION				26NOV96 -31DEC96	4	97FEC/200/8396
REQUEST FOR ADDITIONAL INFORMATION 2ND				26NOV96 -31DEC96	3	97FEC/204/3891
TOTAL		136,889,892	0 134,461,116	0	20643	TOTAL PAGES

All Reports Have Been Reviewed.

Ending Cash-on-Hand as of 12/31/96: \$2,377,654

Outstanding Debts and Obligations Owed to the Committee: \$17,121.58

Outstanding Debts and Obligations Owed by the Committee: \$6,386,777.55

2000-09-14 10:00:00

FEDERAL ELECTION COMMISSION
1997-1998
COMMITTEE INDEX OF DISCLOSURE DOCUMENTS - (C)

DATE 10CT97

PAGE 1

COMMITTEE	DOCUMENT	RECEIPTS	DISBURSEMENTS	COVERAGE DATES	# OF PAGES	MICROFILM LOCATION

DNC SERVICES CORPORATION/DEMOCRATIC NATIONAL COMMITTEE				ID #C00010603	PARTY QUALIFIED	
CONNECTED ORGANIZATION: MICHIGAN DEM PTY MICHIGAN VICTORY '96						
	1997 STATEMENT OF ORGANIZATION - AMENDMENT			29JAN97	2	97FEC/172/0405
	MID-YEAR REPORT	22,295,692	22,407,767	1JAN97 - 30JUN97	1855	97FEC/223/2892
	MID-YEAR REPORT - AMENDMENT	-	-	1JAN97 - 30JUN97	4	97FEC/234/0491
	TOTAL	22,295,692	0 22,407,767		1861	TOTAL PAGES

The Reports Have Not Been Reviewed.

Ending Cash-on-Hand as of 6/30/97: \$2,265,578.86

Outstanding Debts and Obligations Owed to the Committee: \$21,621.58

Outstanding Debts and Obligations Owed by the Committee: \$15,871,464.86



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

RQ-2

Carol Pensky, Treasurer
DNC Services Corporation/
Democratic National Committee
430 South Capitol Street, SE
Washington, DC 20003

MAR 12 1997

Identification Number: C00010603

Reference: October Quarterly Report (7/1/96-9/30/96)

Dear Ms. Pensky:

This letter is prompted by the Commission's preliminary review of the report(s) referenced above. The review raised questions concerning certain information contained in the report(s). An itemization follows:

-Schedule H4 of your report (pertinent portion attached) discloses a \$288,143 disbursement for PRODUCTION COSTS to the Hollywood Women's Political Committee. This type of activity constitutes a contribution to another political committee, and is therefore not an activity that can be paid with allocated (federal and non-federal) monies. In addition, 2 U. S. C. §441a(a) precludes a committee from making contributions to another political committee in excess of \$5,000 per calendar year.

Please be advised that your federal account may receive transfers from your non-federal account in order to pay for the costs of the following categories of activity: administrative expenses, shared fundraising events, shared exempt activities, and generic voter drives. 11 CFR §106.5 Reimbursement from your committee's non-federal account for transfers and contributions to other committees is not permissible. 11 CFR §102.5

Federally registered committees which received these funds will be required to either transfer the funds to a non-federal account or return the non-federal portion to your committee's non-federal account.

The Commission recommends that you immediately transfer back to your non-federal account, the total amount received by your federal account for this activity. In addition, if you have made an excessive contribution, you should notify the recipient committee and request a refund of the amount in excess of \$5,000.

Although the Commission may take further legal action regarding this activity, your prompt action will be taken into consideration.

A written response or an amendment to your original report(s) correcting the above problem(s) should be filed with the Federal Election Commission within fifteen (15) days of the date of this letter. If you need assistance, please feel free to contact me on our toll-free number, (800) 424-9530. My local number is (202) 219-3580.

Sincerely,

Debbie Manzano

Debbie Manzano
Senior Reports Analyst
Reports Analysis Division

2025-01-10 10:12:00

DISBURSEMENT SCHEDULE B-T

FOR LINE 21a

NAME OF COMMITTEE

DNC Services Corp. / Democratic National Committee

FULL NAME, MAILING ADDRESS & ZIP CODE	PURPOSE/EVENT	DATE	TOTAL AMOUNT	FEDERAL SHARE	NON-FEDERAL
BEVERLY HILTON 9878 WILSHIRE BLVD. BEVERLY HILLS, CA 90210	PRODUCTION COSTS	9/ 5/96	\$1,249.92	\$824.96	\$824.96

CATEGORY: FUNDRAISING/VICTORY '96

EVENT YEAR-TO-DATE: \$2,168,414.12

FULL NAME, MAILING ADDRESS & ZIP CODE	PURPOSE/EVENT	DATE	TOTAL AMOUNT	FEDERAL SHARE	NON-FEDERAL
SOFITEL HOTEL 1914 CONNECTICUT AVE., N.W. WASHINGTON, DC 20009	LODGING	9/ 5/96	\$3,385.60	\$1,692.50	\$1,692.50

CATEGORY: FUNDRAISING/VICTORY '96

EVENT YEAR-TO-DATE: \$2,168,414.12

FULL NAME, MAILING ADDRESS & ZIP CODE	PURPOSE/EVENT	DATE	TOTAL AMOUNT	FEDERAL SHARE	NON-FEDERAL
HOLLYWOOD WOMEN'S POLITICAL COMMITTEE 3679 MOTOR AVENUE, SUITE 300 LOS ANGELES, CA 90034	PRODUCTION COSTS	9/ 6/96	\$288,143.00	\$144,071.50	\$144,071.50

CATEGORY: FUNDRAISING/VICTORY '96

EVENT YEAR-TO-DATE: \$2,168,414.12

FULL NAME, MAILING ADDRESS & ZIP CODE	PURPOSE/EVENT	DATE	TOTAL AMOUNT	FEDERAL SHARE	NON-FEDERAL
ROSENBERG, MARCI	CONSULTING FEES	9/10/96	\$7,000.00	\$3,500.00	\$3,500.00

CATEGORY: FUNDRAISING/VICTORY '96

EVENT YEAR-TO-DATE: \$2,168,414.12

FULL NAME, MAILING ADDRESS & ZIP CODE	PURPOSE/EVENT	DATE	TOTAL AMOUNT	FEDERAL SHARE	NON-FEDERAL
DELANCEY PRINTING 444 SWANN AVENUE ALEXANDRIA, VA 22301	PRINTING	9/10/96	\$320.00	\$160.00	\$160.00

CATEGORY: FUNDRAISING/VICTORY '96

EVENT YEAR-TO-DATE: \$2,168,414.12

FULL NAME, MAILING ADDRESS & ZIP CODE	PURPOSE/EVENT	DATE	TOTAL AMOUNT	FEDERAL SHARE	NON-FEDERAL
PARAS PRODUCTIONS 1657 WISCONSIN AVENUE, NW 2ND FLOOR WASHINGTON, DC 20007	PRINTING	9/10/96	\$2,231.22	\$1,115.61	\$1,115.61

CATEGORY: FUNDRAISING/VICTORY '96

EVENT YEAR-TO-DATE: \$2,168,414.12

SUBTOTAL OF JOINT FEDERAL AND NON-FEDERAL ACTIVITY THIS PAGE

TOTAL THIS PERIOD (last page for each line only/Fed share to 21 a i and non-Fed share to 21 a ii).....

TOTAL THIS PERIOD FOR THE NON-FEDERAL (used for line 31 of the detailed summary page)



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

RQ-2

MAR 12 1997

Carol Pensky, Treasurer
DNC Services Corporation/Democratic
National Committee
430 South Capitol Street SE
Washington, DC 20003

Identification Number: C00010603

Reference: 12 Day Pre-General Report (10/1/96-10/16/96)

Dear Ms. Pensky:

This letter is prompted by the Commission's preliminary review of the report(s) referenced above. The review raised questions concerning certain information contained in the report(s). An itemization follows:

-Schedule H4 of your report (pertinent portion attached) discloses a \$17,702.96 disbursement for PRODUCTION COSTS to the Hollywood Women's Political Committee. This type of activity constitutes a contribution to another political committee, and is therefore not an activity that can be paid with allocated (federal and non-federal) monies. In addition, 2 U.S.C. §441a(a) precludes a committee from making contributions to another political committee in excess of \$5,000 per calendar year.

Please be advised that your federal account may receive transfers from your non-federal account in order to pay for the costs of the following categories of activity: administrative expenses, shared fundraising events, shared exempt activities, and generic voter drives. 11 CFR §106.5 Reimbursement from your committee's non-federal account for transfers and contributions to other committees is not permissible. 11 CFR §102.5

Federally registered committees which received these funds will be required to either transfer the funds to a non-federal account or return the non-federal portion to your committee's non-federal account.

**DNC SERVICES CORPORATION/
DEMOCRATIC NATIONAL COMMITTEE
PAGE 2**

Attachment #3
Page 2 of 5

The Commission recommends that you immediately transfer back to your non-federal account, the total amount received by your federal account for this activity. In addition, if you have made an excessive contribution, you should notify the recipient committee and request a refund of the amount in excess of \$5,000.

Although the Commission may take further legal action regarding this activity, your prompt action will be taken into consideration.

-Schedule A of your report (pertinent portion(s) attached) discloses a contribution(s) from an organization(s) which is not a political committee registered with the Commission. In order for your committee to accept contributions from unregistered organizations into accounts used to influence federal elections, your committee should take steps to insure that the contributor(s) used permissible funds to make the contribution(s) to avoid violating 2 U.S.C. §§441a(f) and 441b or 11 CFR §102.5(b). Under 11 CFR §102.5(b), organizations which are not political committees under the Act and choose to contribute to federal committees must either: 1) establish a separate account which contains only those funds permitted under the Act, or 2) demonstrate through a reasonable accounting method that the organization has received sufficient funds subject to the limitations and prohibitions in order to make the contribution.

If the contribution(s) in question was incompletely or incorrectly disclosed, you should amend your original report with clarifying information. In addition, please clarify whether the contribution(s) received from the referenced organization(s) is permissible. To the extent that your committee has received impermissible funds, the Commission recommends that you transfer the impermissible funds to an account not used to influence federal elections or refund the impermissible amount(s) to the donor(s) in accordance with 11 CFR §103.3(b). In order to protect the donor's interests, the Commission recommends that you inform the contributor(s) in writing to provide the donor(s) with the option of receiving a refund or granting written authorization for a transfer to another account.

Please inform the Commission of your corrective action immediately in writing and provide a photocopy of your check for the transfer-out or refund. Should you choose to transfer-out or refund the contribution(s), the Commission will presume the funds were impermissible if no statement from your committee provides information to the contrary. Transfers-out and refunds should be disclosed on a Schedule B supporting Line 22 or 28 of the report covering the period during which the transaction was made.

**DNC SERVICES CORPORATION
DEMOCRATIC NATIONAL COMMITTEE
PAGE 3**

Although the Commission may take further legal action concerning the acceptance of prohibited contributions, prompt action by your committee in transferring-out or refunding the amounts will be taken into consideration.

-Schedule A of your 1996 October Quarterly Report (pertinent portion(s) attached) disclosed a contribution(s) which appears to exceed the limits set forth in the Act. The Act precludes a political committee which is established and maintained by a national political party and any affiliated committees from accepting contributions in excess of \$20,000 in a calendar year from a person or political committee which is not a multicandidate committee. 2 U.S.C. §441a(f)

The Commission notes your refund(s) of the excessive contribution(s) disclosed on this report. Although the Commission may take further legal action concerning the acceptance of an excessive contribution(s), your prompt action in refunding the contribution(s) will be taken into consideration.

-Please clarify all expenditures made for MEDIA on Schedule H4. If a portion or all of these expenditures were made on behalf of specifically identified federal candidates, this amount should be disclosed on Schedule B or F supporting Line 23 or 25 and include the amount, name, address and office sought by each candidate. 11 CFR §104.3(b)

-Schedule H3 of your report discloses the aggregate amount of in-kind corporate donations received for allocable activity. Pursuant to Advisory Opinion 1992-93, "In order to clarify when these transfers occurred, the committee should also note, on the Schedule H3 listing, that the transfer reflected thereon relates to H4 entries of donors that are itemized on specific pages, e.g., H4, p. 4, entries A and C." Please amend your Schedule H3 to properly disclose this missing information.

-On Schedule H4 supporting Line 21(a) of the Detailed Summary Page, you have not included the full name and/or mailing address for the vendor(s) listed. Please amend your report accordingly.

-Your report discloses offsets for operating expenditures on Schedule A supporting Line 15 to W.A. Wilde Company and Corporate Entertainment Services, Inc. Please clarify the nature of these refunds.

DNC SERVICES CORPORATION
DEMOCRATIC NATIONAL COMMITTEE
PAGE 4

-Schedule D of your report has failed to include certain information. Commission Regulations require the full name and mailing address of each creditor, the outstanding balance at the beginning and end of the reporting period, the amount incurred during the period, the payment made during the period, and the nature or purpose of each debt. Additionally, all debts must be reported continuously until extinguished or settled. Please amend your report by providing the purpose of the debts owed to IPBS (previously Budda's Light Int'l Assoc.) and Music Express. 11 CFR §104.11

-Schedule D of your report discloses credits for debts owed to ARCHIBALD ALLEN ASSOCIATES, INC., BOOMERANG STUDIOS, MALCHOW & COMPANY, and ROMASH COMMUNICATIONS. Please clarify the reason for these credits.

A written response or an amendment to your original report(s) correcting the above problem(s) should be filed with the Federal Election Commission within fifteen (15) days of the date of this letter. If you need assistance, please feel free to contact me on our toll-free number, (800) 424-9530. My local number is (202) 219-3580.

Sincerely,

Debbie Manzano

Debbie Manzano
Senior Reports Analyst
Reports Analysis Division

21-04-403-0045

DISBURSEMENT SCHEDULE H4

(effective 1/1/91)

JOINT FEDERAL/NON-FEDERAL
ACTIVITY SCHEDULEAttachment 3
Page 5 of 5

PAGE 113 OF 118

DISBURSEMENT SCHEDULE B-T

FOR LINE 21a

NAME OF COMMITTEE

DNC Services Corp. / Democratic National Committee

FULL NAME, MAILING ADDRESS & ZIP CODE	PURPOSE/EVENT	DATE	TOTAL AMOUNT	FEDERAL SHARE	NON-FEDERAL
HOLLYWOOD WOMEN'S POLITICAL COMMITTEE 3879 MOTOR AVENUE, SUITE 300 LOS ANGELES, CA 90034	PRODUCTION COS	10/ 3/96	\$17,702.96	\$8,851.48	\$8,851.48

CATEGORY: FUNDRAISING/VICTO
EVENT YEAR-TO-DATE: \$2,302,153.17

FULL NAME, MAILING ADDRESS & ZIP CODE	PURPOSE/EVENT	DATE	TOTAL AMOUNT	FEDERAL SHARE	NON-FEDERAL
ROBERT BURCH 1301 DEL RESTO DRIVE BEVERLY HILLS, CA 90210	OFFICE EXPENSES	10/ 7/96	\$55.77	\$27.89	\$27.89

CATEGORY: FUNDRAISING/VICTO
EVENT YEAR-TO-DATE: \$2,302,153.17

FULL NAME, MAILING ADDRESS & ZIP CODE	PURPOSE/EVENT	DATE	TOTAL AMOUNT	FEDERAL SHARE	NON-FEDERAL
ROSEN, MARVIN S. 1221 BRICKELL AVENUE MIAMI, FL 33131	TELEPHONE	10/ 7/96	\$56.65	\$28.33	\$28.33

CATEGORY: FUNDRAISING/VICTO
EVENT YEAR-TO-DATE: \$2,302,153.17

FULL NAME, MAILING ADDRESS & ZIP CODE	PURPOSE/EVENT	DATE	TOTAL AMOUNT	FEDERAL SHARE	NON-FEDERAL
ROSEN, MARVIN S. 1221 BRICKELL AVENUE MIAMI, FL 33131	PRODUCTION COS	10/ 7/96	\$432.00	\$216.00	\$216.00

CATEGORY: FUNDRAISING/VICTO
EVENT YEAR-TO-DATE: \$2,302,153.17

FULL NAME, MAILING ADDRESS & ZIP CODE	PURPOSE/EVENT	DATE	TOTAL AMOUNT	FEDERAL SHARE	NON-FEDERAL
WELLS, MARY 1740 LANIER PL. N.W. WASHINGTON, DC 20009	AIRFARE	10/ 7/96	\$112.00	\$56.00	\$56.00

CATEGORY: FUNDRAISING/VICTO
EVENT YEAR-TO-DATE: \$2,302,153.17

FULL NAME, MAILING ADDRESS & ZIP CODE	PURPOSE/EVENT	DATE	TOTAL AMOUNT	FEDERAL SHARE	NON-FEDERAL
WELLS, MARY 1740 LANIER PL. N.W. WASHINGTON, DC 20009	TRAVEL EXPENSES	10/ 7/96	\$231.00	\$115.50	\$115.50

CATEGORY: FUNDRAISING/VICTO
EVENT YEAR-TO-DATE: \$2,302,153.17

SUBTOTAL OF JOINT FEDERAL AND NON-FEDERAL ACTIVITY THIS PAGE

TOTAL THIS PERIOD (test page for each line only/Fed share to 21 a i and non-Fed share to 21 a ii).....

TOTAL THIS PERIOD FOR THE NON-FEDERAL (used for line 31 of the detailed summary page)

43

21-01-403-0012

TELECON

ANALYST: Debbie Manzano

CONVERSATION WITH: Neil Reiff

COMMITTEE: DNC Services Corporation/Democratic National Committee
("DNC")

DATE: March 14, 1997

SUBJECT: RFAI dated March 12, 1997 - Hollywood Women's Political
Committee ("HWPC") Issue

Neil Reiff, a lawyer for the DNC, called the RAD analyst. Mr. Reiff made reference to the RFAI dated March 12, 1997 regarding the issue with the HWPC. He wanted to know how the HWPC reported the receipt of these payments, and who the contact person was for the HWPC. The RAD analyst stated that the analyst assigned to the committee may have this information and gave him the name of the analyst. Mr. Reiff asked the analyst if the payments would still be considered excessive if the HWPC disclosed the receipt of such payments as offsets to operating expenditures. The analyst stated that the activity as reported by the DNC would still be at issue. Mr. Reiff stated that the lawyers for the DNC would be meeting next week and a response will be filed soon.

21-04-403-0047

RECEIVED
DEMOCRATIC NATIONAL COMMITTEE

REPORTS ANALYSIS
Steve Grossman, National Chair

Steve Grossman, National Chair ★ Governor Roy Romer, General Chair

MAR 27 4 39 PM '97

March 26, 1997

Ms. Debbie Manzano
Reports Analyst
Federal Election Commission
999 E Street, N.W.
Washington, DC 20463

ID#: C00010603

RE: Response to letter of March 12, 1997 to Carol Pensky,
Treasurer, DNC Services Corporation/Democratic National Committee.

Dear Ms. Manzano:

The DNC is in receipt of your letter of March 12, 1997. In this letter, you request clarification of the following item from our 1996 October Quarterly Report, which covered the period from July 1, 1996 through September 30, 1996:

1) You state a payment to the Hollywood Women's Political Caucus ("HWPC"), a federally registered political committee, in the amount of \$288,143.00 should not have been disclosed as an expenditure on Schedule H4. Rather, you attempt to characterize this transaction as a contribution from one political committee to another, and request that the DNC transfer the non-federal portion of this expenditure from its federal account to its non-federal account. Furthermore, you state that the amount paid in excess of \$5,000 exceeds the contribution limits of 2 U.S.C. § 441a(a).

- * The DNC vehemently disagrees with the FEC's characterization of this transaction. This payment, as well as an additional payment in October, 1996, reflect a reimbursement for fundraising costs paid for by the Hollywood Women's Political Committee on behalf of the DNC. The payments made by HWPC reflect arms length transactions with commercial vendors on behalf of the DNC for a fundraising event held by the DNC in Los Angeles, CA on September 12, 1996. Payments by DNC to HWPC reflect dollar for dollar reimbursement for those costs, and were properly disclosed as allocable fundraising costs on Schedule H4 of the DNC's report. It is our understanding that HWPC, in amended reports, has disclosed the receipt of funds by the DNC as an "Offset to Expenditure" on Line 15 of its reports.

Ms. Debbie Manzano
March 26, 1997
Page Two

6400-304-40-12

The position of the FEC that these transfers constitute a contribution merely because the transaction is between two federally registered political committees is clearly at odds with FEC precedent. Specifically, in Advisory Opinion 1995-22, the Commission advised the Democratic Congressional Campaign Committee that it could disclose reimbursements from the Democratic Senatorial Campaign Committee on an ongoing basis, and that such transactions are disclosable as "Offsets to Expenditures." These expenditures made by the DCCC were originally allocated and disclosed on Schedule H4. Furthermore, it is our understanding that the DSCC reports these disbursements to the DCCC as allocable expenditures on Schedule H4. See Also MURS 2345, 2611 (Permitting federal candidates to reimburse party committees, as offsets, for expenditures made by the committee on behalf of those candidates). Thus, it is apparent that the Commission has consistently held that not all transfers between two federally registered political committees are, by definition, contributions. In this case, the DNC reimbursed, dollar for dollar, allocable fundraising expenditures which were paid for on behalf of the DNC by HWPC. Therefore, the DNC believes that this transaction was properly disclosed on Schedule H4, and that it was entitled to transfer funds from its non-federal account to its federal account to pay for the non-federal portion of this fundraising expense. 11 C.F.R. § 106.5.

If you have any further questions, please contact me at the address below.

Sincerely,



Bradley K. Marshall
Assistant Treasurer

Democratic National CommitteeSteve Grossman, *National Chair* ★ Governor Roy Romer, *General Chair*

MAR 27

4 35 PM '97

March 26, 1997

Ms. Debbie Manzano
Reports Analyst
Federal Election Commission
999 E Street, N.W.
Washington, DC 20463

ID#: C00010603

RE: Response to letter of March 12, 1997 to Carol Pensky,
Treasurer, DNC Services Corporation/Democratic National Committee.

Dear Ms. Manzano:

The DNC is in receipt of your letter of March 12, 1997. In this letter, you request clarification of the following items from our 1996 12 Day Pre-General Report, which covered the period from October 1, 1996 through October 16, 1996:

1) You state a payment to the Hollywood Women's Political Caucus ("HWPC"), a federally registered political committee, in the amount of \$17,702.96 should not have been disclosed as an expenditure on Schedule H4. Rather, you attempt to characterize this transaction as a contribution from one political committee to another, and request that the DNC transfer the non-federal portion of this expenditure from its federal account to its non-federal account. Furthermore, you state that the amount paid in excess of \$5,000 exceeds the contribution limits of 2 U.S.C. § 441a(a).

- * The DNC vehemently disagrees with the FEC's characterization of this transaction. This payment, as well as an additional payment in September, 1996, reflect a reimbursement for fundraising costs paid for by the Hollywood Women's Political Committee on behalf of the DNC. The payments made by HWPC reflect arms length transactions with commercial vendors on behalf of the DNC for a fundraising event held by the DNC in Los Angeles, CA on September 12, 1996. Payments by DNC to HWPC reflect dollar for dollar reimbursement for those costs, and were properly disclosed as allocable fundraising costs on Schedule H4 of the DNC's report. It is our understanding that HWPC, in amended reports, has disclosed the receipt of funds by the DNC as an "Offset to Expenditure" on Line 15 of its reports.

Ms. Debbie Manzano
March 26, 1997
Page Two

The position of the FEC that these transfers constitute a contribution merely because the transaction is between two federally registered political committees is clearly at odds with FEC precedent. Specifically, in Advisory Opinion 1995-22, the Commission advised the Democratic Congressional Campaign Committee that it could disclose reimbursements from the Democratic Senatorial Campaign Committee on an ongoing basis, and that such transactions are disclosable as "Offsets to Expenditures." These expenditures made by the DCCC were originally allocated and disclosed on Schedule H4. Furthermore, it is our understanding that the DSCC reports these disbursements to the DCCC as allocable expenditures on Schedule H4. See Also MURS 2345, 2611 (permitting federal candidates to reimburse party committees, as offsets, for expenditures made by the committee on behalf of those candidates). Thus, it is apparent that the Commission has consistently held that not all transfers between two federally registered political committees are, by definition, contributions. In this case, the DNC reimbursed, dollar for dollar, allocable fundraising expenditures which were paid for on behalf of the DNC by HWPC. Therefore, the DNC believes that this transaction was properly disclosed on Schedule H4, and that it was entitled to transfer funds from its non-federal account to its federal account to pay for the non-federal portion of this fundraising expense. 11 C.F.R. § 106.5.

2) You state that there is a contribution on Line 11(c) that does not appear to be from a federally registered political committee.

- * This contribution is, in fact, from a political committee, but was misreported due to a data entry error. A corrected Page 2 of Line 11(c) is enclosed.

3) You ask for clarification of all media expenditures made by the DNC on Schedule H4.

- * All media expenditures disclosed on Schedule H4 were for "generic" media. These media expenditures were not made on behalf of any specific federal candidate.

4) You ask that all in-kind contributions disclosed on Schedule H4 be cross referenced to its offsetting entry on Schedule H3.

- * Enclosed please find amended Pages H3 and H4 that cross-reference all allocable non-federal in-kind contributions received.

Ms. Debbie Manzano
March 26, 1997
Page Three

5) You ask that the DNC provide addresses for all vendors on Schedule H4 for which such addresses were omitted.

- * Enclosed please find amended Schedules B and H4 for all omitted addresses for Lines 21(a) and (b).

6) You ask for clarification of the nature of refunds for the following vendors.

- * W.A. Wilde Company - This refund represents an overpayment of postage for a direct mail solicitation. This company was, in fact, a subcontractor for Adams, Malchow & Hussey who was the ultimate vendor of the DNC. The vendor inadvertently refunded the overpayment directly to the DNC, rather than making payment back to Adams, Malchow & Hussey.

Corporate Entertainment Services, Inc. - This refund represents a refund for overpayment for production and consulting costs for a DNC fundraiser held in September of 1996. The original payment to this vendor is listed as payable to "CES" on our October Quarterly report.

7) You ask the DNC to provide certain missing information on Schedule D of our report.

- * Enclosed please find an amended Schedule D which provides the missing information requested.

8) You ask for clarification of credits shown for certain vendors on Schedule D of our report.

- * Archibald Allen Associates, Inc. - It was determined that this vendor, who was a subcontractor of another DNC vendor, charged the DNC in error. The credit reflects that this vendor was not due any payments from the DNC.
- * Boomerang Studios - The credit listed for this vendor reflects a data entry error by DNC staff. An invoice for \$965.00 was entered twice. In fact, there was only one payment for \$965.00 due to this vendor.
- * Romash Communications - This credit reflects the fact the DNC staff accidentally entered an invoice of the Convention Committee into the DNC accounting system. This expense was paid for by the 1996 Democratic National Convention Committee, Inc. Thus, the credit is a correction of the original data entry error.

Ms. Debbie Manzano
March 26, 1997
Page Four

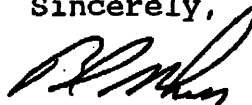
- * Malchow & Company - This credit was disclosed in error. An amended Schedule Page 16 of D is enclosed. Also, a corresponding Schedule D is enclosed for the Post-General Report.

Also enclosed with this letter are the following amendments:

- 1) An amended Page 13 for Line 1 of Non-Federal Corporate. This amendment corrects an address for a donation by Boeing Corporation, which was previously listed the corporate contact as the donor.
- 2) Amended cover pages for the Post-General Report which carry forward corrections from prior reports.
- 3) Amended cover pages and Schedule B, Line 22 for the Year-End report which carry forward prior corrections, and disclose two transfers previously omitted from this report.

If you have any further questions, please contact me at the address below.

Sincerely,



Bradley K. Marshall
Assistant Treasurer



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

RQ-3

April 7, 1997

Carol Pensky, Treasurer
DNC Services Corporation/Democratic
National Committee
430 South Capitol Street SE
Washington, DC 20003

Identification Number: C00010603

Reference: October Quarterly (7/1/96-9/30/96) and 12 Day Pre-General (10/1/96-10/16/96) Reports

Dear Ms. Pensky:

On March 12, 1997 you were notified that a review of the above-referenced report(s) raised questions as to specific contributions and/or expenditures, and the reporting of certain information required by the Federal Election Campaign Act.

Your March 27, 1997 response is incomplete because you have not provided all the requested information. For this response to be considered adequate, the following information is still required.

-In your response concerning payments to the Hollywood Women's Political Committee, you cite Advisory Opinion 1995-22 and MURs 2345 and 2611; however, these examples are not analogous to your present situation with the Hollywood Women's Political Committee. AO 1995-22 involves two affiliated national party committees disclosing reimbursements as negative disbursements on Schedule H4. MUR 2345 and MUR 2611 are not applicable examples because both involve a state party committee receiving transfers from either a national party committee or a candidate committee.

The Commission acknowledges that, if your committee had paid the vendors directly rather than disbursing the monies through the Hollywood Women's Political Committee, then these expenses would be lawful shared allocable expenses. 11 CFR 106.5 However, the disbursement included

monies from your non-federal account which, when contributed to another political committee registered with the Commission, results in the recipient committee receiving impermissible funds. 2 U.S.C. §441b(a)

The disbursement to Hollywood Women's Political Committee appears to also exceed the contribution limit of \$5,000 for a qualified multi-candidate committee to another political committee. 2 U.S.C. §441a(a)(2)(c)

You should notify Hollywood Women's Political Committee that you made a prohibited and excessive contribution and request a refund of the entire prohibited non-federal share of the "reimbursement." You should also request a refund from Hollywood Women's Political Committee of the amount that exceeds \$5,000 of the federal share.

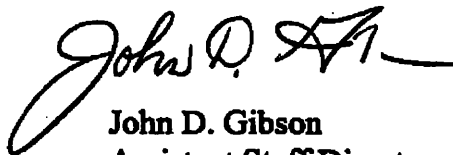
The Commission requests further clarification concerning the role of Hollywood Women's Political Committee in the Democratic National Committee's fundraising activity and the arrangement that existed between your two committees for the fundraiser.

Although the Commission may take further legal action regarding this activity, your prompt action will be taken into consideration.

If this information is not received by the Commission within fifteen (15) days from the date of this notice, the Commission may choose to initiate audit or legal enforcement action.

If you should have any questions related to this matter, please contact Debbie Manzano on our toll-free number (800) 424-9530 or our local number (202) 219-3580.

Sincerely,



John D. Gibson
Assistant Staff Director
Reports Analysis Division

Democratic National CommitteeSteve Grossman, *National Chair* ★ Governor Roy Romer, *General Chair*

Attachment #7

Page 1 of 2

RECEIVED
FEDERAL ELECTION COMMISSION
PUBLIC DISCLOSURE DIVISION

97 APR 21 AM 10:35

April 18, 1997

Mr. John D. Gibson
Assistant Staff Director
Reports Analysis Division
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

RE: Letter to Carol Pensky of April 7, 1997, Treasurer of DNC
Services Corporation/Democratic National Committee (#C00010603)

Dear Mr. Gibson:

The DNC is in receipt of your letter of April 7, 1997 to Carol Pensky regarding payments made by the DNC in the total amount of \$305,845.96 payable to the Hollywood Women's Political Committee ("HWPC"), for reimbursement of fundraising expenditures made on behalf of the DNC.

In your letter, you reject the DNC's contention that these expenditures were properly paid for by the DNC as allocable fundraising expenditures, and disclosed as "Offsets to Expenditures" by the Hollywood Women's Political Committee.

In your letter, you do not provide any basis for your determination other than the fact that the two entities involved are both federal political committees.

Your position in this matter ignores past FEC precedents, and would lead to the result of the acceptance of a federal in-kind contribution to the DNC in the amount of \$132,922.98 (50% of the fundraising costs less \$5,000 retained by HWPC less \$15,000 limit from HWPC to DNC).

Again, the payments made by HWPC reflect arms length transactions with commercial vendors on behalf of the DNC for a fundraising event held by the DNC in Los Angeles, CA on September 12, 1996. Payments by DNC to HWPC reflect dollar for dollar reimbursement for those costs, and were properly disclosed as allocable fundraising costs on Schedule H4 of the DNC's report.

You state in your letter that had the DNC paid vendors directly for these expenses they would have been lawful allocable expenses. However, since the expenses merely passed through a

4500 304 0057

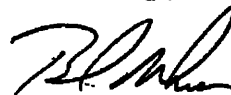
federal political committee, they somehow convert these transactions from lawful expenditures to unlawful contributions. As stated in our earlier letter, the FEC precedents stated therein stand for the proposition that the Commission should look at the nature of the transaction, and not at the entities who are involved in the transaction. Thus, the Commission has permitted party and candidate committees to transfer funds in connection with allocable activities to the federal account of another federal political committee without regard to source or contribution limitations. You attempt to distinguish these precedents by stating that since these cases involved party and candidate committees this situation is different. However, these precedents do not rest on what type of federal political committees involved that were involved in the transaction, rather, these precedents demonstrate that a federal committee may reimburse another federal committee as an "operating expenditure" for costs incurred on its behalf by another committee, even though such payments may exceed the established contribution limit between those committees, and those funds may include amounts from sources that are not permissible under the FECA (See also MUR 3716 (permitting a non-federal candidate to reimburse a federal political committee for its share of expenses in connection with a slate card mailer); Audit Division Report for Bush-Quayle '92 General Committee, Inc. (permitting publicly funded presidential candidate committee for general election to treat reimbursement payment for expenses to state party as "qualified campaign expenditures").

The Commission has placed the DNC in a Catch-22. Either these payments reflect an arms-length, dollar for dollar reimbursement for expenditures paid for by the DNC by the HWPC (in which case it is entitled to allocate these expenditures pursuant to 11 C.F.R. § 106.5), or the DNC will be forced by the Commission to accept an excessive in-kind contribution from the HWPC in the amount of \$137,922.98!

Therefore, the DNC urges you to reconsider your position regarding this matter. At this time, the DNC has no intention of requesting a refund of any payments made to HWPC, since such payments would lead to the impermissible acceptance of an excessive in-kind contribution by our committee. Furthermore, since the DNC believes that it was entitled to allocate these expenditures, it has no intention to request a refund of the non-federal portion of these expenditures.

If you have any questions regarding this matter, please contact me at the address below.

Sincerely,



Bradley K. Marshall
Assistant Treasurer



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

RQ-2

Carol Pensky, Treasurer
DNC Services Corporation/Democratic
National Committee
430 South Capitol Street SE
Washington, DC 20003

APR 23 1997

Identification Number: C00010603

Reference: 30 Day Post-General Report (10/17/96-11/25/96)

Dear Ms. Pensky:

This letter is prompted by the Commission's preliminary review of the report(s) referenced above. The review raised questions concerning certain information contained in the report(s). An itemization follows:

-Schedule A of your report (pertinent portion(s) attached) discloses a contribution(s) from an organization(s) which is not a political committee registered with the Commission. In order for your committee to accept contributions from unregistered organizations into accounts used to influence federal elections, your committee should take steps to insure that the contributor(s) used permissible funds to make the contribution(s) to avoid violating 2 U.S.C. §§441a(f) and 441b or 11 CFR §102.5(b). Under 11 CFR §102.5(b), organizations which are not political committees under the Act and choose to contribute to federal committees must either: 1) establish a separate account which contains only those funds permitted under the Act, or 2) demonstrate through a reasonable accounting method that the organization has received sufficient funds subject to the limitations and prohibitions in order to make the contribution.

If the contribution(s) in question was incompletely or incorrectly disclosed, you should amend your original report with clarifying information. In addition, please clarify whether the contribution(s) received from the referenced organization(s) is permissible. To the extent that your committee has received impermissible funds, the Commission recommends

Celebrating the Commission's 20th Anniversary

YESTERDAY, TODAY AND TOMORROW
DEDICATED TO KEEPING THE PUBLIC INFORMED

2003 APR 23 1997

**DNC SERVICES CORPORATION
DEMOCRATIC NATIONAL COMMITTEE
PAGE 2**

that you transfer the impermissible funds to an account not used to influence federal elections or refund the impermissible amount(s) to the donor(s) in accordance with 11 CFR §103.3(b). In order to protect the donor's interests, the Commission recommends that you inform the contributor(s) in writing to provide the donor(s) with the option of receiving a refund or granting written authorization for a transfer to another account.

Please inform the Commission of your corrective action immediately in writing and provide a photocopy of your check for the transfer-out or refund. Should you choose to transfer-out or refund the contribution(s), the Commission will presume the funds were impermissible if no statement from your committee provides information to the contrary. Transfers-out and refunds should be disclosed on a Schedule B supporting Line 22 or 28 of the report covering the period during which the transaction was made.

Although the Commission may take further legal action concerning the acceptance of prohibited contributions, prompt action by your committee in transferring-out or refunding the amounts will be taken into consideration.

-Schedule B supporting Line 28(a) discloses refunds made to several individuals/persons other than political committees; however, it appears that the receipt of these contributions have not been previously reported by your committee. Please provide the original date of receipt for each contribution. In addition, if the contributions were not previously disclosed, you must amend the report covering the period during which the contribution was received to disclose the receipt on Schedule A supporting the line 11(a)(i) of the Detailed Summary Page. 11 CFR §103.3(b)(1)

-The totals listed on Lines 6(c), 7, 18, 19, 21(a)(ii), 21(c) and 30, Column B of the Summary and Detailed Summary Pages appear to be incorrect. Please be advised that you should add the "Calendar Year-to-Date" total from your previous report to the current "Total This Period" figure from Column A to derive the correct Column B totals. Please amend your report and any subsequent reports that may be affected by this correction.

-Line 11(a)(i) of the Detailed Summary Page of your report discloses a total of \$4,376,502.10 in contributions from individuals/persons other than political committees. The sum of the entries itemized on Schedule A, however, indicates the total to be \$4,344,727.97. Please amend your report to clarify the discrepancy.

**DNC SERVICES CORPORATION
DEMOCRATIC NATIONAL COMMITTEE
PAGE 3**

-Your report discloses offsets for operating expenditures on Schedule A supporting Line 15 to '96 DNCC, Direct Mail Management and Typed Letters Corp. Please clarify the purpose of these refunds.

-The outstanding balance of a debt owed to a creditor at the close of one report should be exactly the same as the outstanding balance beginning the period of the next report. This report shows beginning balances to Bell Atlantic-DC, Guernsey Office Products, IPBS, PDR Resources, Inc., and U.S. Healthcare, which are not identical to the ending outstanding balances for these creditors on the 12 Day Pre-General Report. Please amend your report to clarify these discrepancies.

-Your report discloses an outstanding balance(s) beginning this period for a debt(s) owed to Greenberg Research, Inc. However, an outstanding balance(s) at the close of the period was not disclosed on your 12 Day Pre-General Report. Please amend your report(s) to clarify this discrepancy.

-Schedule H3 of your report discloses the aggregate amount of in-kind corporate donations received for allocable activity. Pursuant to Advisory Opinion 1992-93, "In order to clarify when these transfers occurred, the committee should also note, on the Schedule H3 listing, that the transfer reflected thereon relates to H4 entries of donors that are itemized on specific pages, e.g., H4, p. 4, entries A and C." Please amend your Schedule H3 to properly disclose this missing information.

-Schedule H4 of your report (pertinent portion(s) attached) discloses disbursements to several federal and non-federal committees. Please be advised that contributions and transfers to federal and non-federal committees do not qualify as shared expenses to be allocated between your federal and non-federal accounts. Contributions to federal committees should be disclosed on a Schedule B supporting Line 23 and contributions to non-federal committees on a separate Schedule B supporting Line 29. In addition, transfers to affiliated committees should be properly disclosed on a Schedule B supporting Line 22. Any reimbursement from your committee's non-federal account for any portion of these contributions is not permissible. 11 CFR §102.5(a)(1)(i).

The Commission recommends that you immediately transfer the funds received by your federal account, as reimbursement for the non-federal portion, back to your non-federal account. Although the Commission may take further legal action concerning this prohibited activity, your prompt action will be taken into consideration.

**DNC SERVICES CORPORATION
DEMOCRATIC NATIONAL COMMITTEE
PAGE 4**

-Schedule H4 of your report (pertinent portions attached) discloses \$3,283.75 in disbursements for telephone, messenger service, and equipment rental to the Hollywood Women's Political Committee (H.W.P.C.). This type of activity constitutes a contribution to another political committee, and is therefore not an activity that can be paid with allocated (federal and non-federal) monies. In addition, 2 U.S.C. §441a(a) precludes a committee from making contributions to another political committee in excess of \$5,000 per calendar year.

Please be advised that your federal account may receive transfers from your non-federal account in order to pay for the costs of the following categories of activity: administrative expenses, shared fundraising events, shared exempt activities, and generic voter drives. 11 CFR §106.5 Reimbursement from your committee's non-federal account for transfers and contributions to other committees is not permissible. 11 CFR §102.5

Federally registered committees which received these funds will be required to either transfer the funds to a non-federal account or return the non-federal portion to your committee's non-federal account.

The Commission recommends that you immediately transfer back to your non-federal account, the total amount received by your federal account for this activity. In addition, if you have made an excessive contribution, you should notify the recipient committee and request a refund of the amount in excess of \$5,000.

Although the Commission may take further legal action regarding this activity, your prompt action will be taken into consideration.

-Your report discloses in-kind contributions ("donations") from corporations on Schedule H4, supporting Line 21(a) of the Detailed Summary Page (pertinent portions attached). Pursuant to Advisory Opinion 1992-33 (copy attached), the Commission concluded that a "national party committee may accept corporate in-kind donations in connection with fund-raising activities" as long as "the federal share of goods or services is paid or transferred to the non-federal account in advance" of the acceptance of the corporate in-kind donations by the federal account.

Advisory Opinion 1992-33 also discloses a detailed method for reporting the receipt and use of in-kind contributions as follows:

**DNC SERVICES CORPORATION/
DEMOCRATIC NATIONAL COMMITTEE
PAGE 5**

1. The transfer of the in-kind corporate contribution from the non-federal account to the federal account should be disclosed on Schedule H3. The itemization on Schedule H3 should include the date the Committee received the in-kind contribution, the amount of the contribution and the fundraising event involved.

2. The use or expenditure of in-kind corporate contributions should be disclosed on Schedule H4 as non-federal share disbursements. The itemization should provide the same donor identification information required on a Schedule A for in-kind contributions for Federal elections.

3. A second entry on Schedule H4 should then disclose the advance or contemporaneous payment of the federal account's share of the in-kind corporate contribution to the non-federal account.

Please amend your report to properly disclose the advance or contemporaneous payment of the federal account's share of the in-kind contributions received by your Committee.

-On Schedule H4 supporting Line 21(a) of the Detailed Summary Page, you have not included the full name and/or mailing address for the vendor(s) listed. Please amend your report accordingly.

-The last Schedule B for Line 21(b) of your report discloses a total this period of \$2,764,938.93 in other federal operating expenditures. However, the sum of the entries itemized on Schedule B indicates the total to be \$2,677,841.85. Please amend your report to clarify this discrepancy.

-Please clarify all expenditures made for MEDIA on Schedule H4. If a portion or all of these expenditures were made on behalf of specifically identified federal candidates, this amount should be disclosed on Schedule B or F supporting Line 23 or 25 and include the amount, name, address and office sought by each candidate. 11 CFR §104.3(b)

-Please amend your report by providing the address for each disbursement itemized on Schedule B supporting Line 5 of your Non-federal Finance Fund.

-Schedule I for Line 1 of your non-federal unincorporated account discloses \$1,872,775 in total receipts. However, the sum of the entries on Schedule A indicates this total to be \$1,841,775. Please clarify this discrepancy.

**DNC SERVICES CORPORATION/
DEMOCRATIC NATIONAL COMMITTEE
PAGE 6**

-On Schedule A supporting Line 11(a)(i) of the Detailed Summary Page, your report disclosed contributions from individuals that omit the dates of receipt. Please amend your report by supplying the information. 11 CFR §104.3(a)(4)(i)

-Schedule D of your report has failed to include certain information. Commission Regulations require the full name and mailing address of each creditor, the outstanding balance at the beginning and end of the reporting period, the amount incurred during the period, the payment made during the period, and the nature or purpose of each debt. Additionally, all debts must be reported continuously until extinguished or settled. Please amend your report by providing the purpose of the debts owed to Music Express and Technology Educational Association. 11 CFR §104.11

A written response or an amendment to your original report(s) correcting the above problem(s) should be filed with the Federal Election Commission within fifteen (15) days of the date of this letter. If you need assistance, please feel free to contact me on our toll-free number, (800) 424-9530. My local number is (202) 219-3580.

Sincerely,

Debbie Manzano

Debbie Manzano
Senior Reports Analyst
Reports Analysis Division

DISBURSEMENT SCHEDULE B-T

NAME OF COMMITTEE

DNC Services Corp. / Democratic National Committee

FULL NAME, MAILING ADDRESS & ZIP CODE	PURPOSE/EVENT	DATE	TOTAL AMOUNT	FEDERAL SHARE	NON-FEDERAL
PARAS PRODUCTIONS 1657 WISCONSIN AVENUE, NW 2ND FLOOR WASHINGTON, DC 20007	PRINTING	11/13/96	\$1,293.38	\$846.69	\$846.69
CATEGORY: FUNDRAISING/VICTO EVENT YEAR-TO-DATE: \$2,387,103.51					
FULL NAME, MAILING ADDRESS & ZIP CODE	PURPOSE/EVENT	DATE	TOTAL AMOUNT	FEDERAL SHARE	NON-FEDERAL
SARAH FARNSWORTH 3732 MANOR ROAD CHEVY CHAVE, MD 20815	PER DIEM	11/18/96	\$240.00	\$120.00	\$120.00
CATEGORY: FUNDRAISING/VICTO EVENT YEAR-TO-DATE: \$2,387,103.51					
FULL NAME, MAILING ADDRESS & ZIP CODE	PURPOSE/EVENT	DATE	TOTAL AMOUNT	FEDERAL SHARE	NON-FEDERAL
LEVY, PAZANTI, & ASSOCIATES 8911 W. PICO BLVD. STE. 1530 LOS ANGELES, CA 90035	MESSENGER SERVIC	11/18/96	\$312.00	\$156.00	\$156.00
CATEGORY: FUNDRAISING/VICTO EVENT YEAR-TO-DATE: \$2,387,103.51					
FULL NAME, MAILING ADDRESS & ZIP CODE	PURPOSE/EVENT	DATE	TOTAL AMOUNT	FEDERAL SHARE	NON-FEDERAL
HOLLYWOOD WOMEN'S POLITICAL COMMITTEE 3679 MOTOR AVENUE, SUITE 300 LOS ANGELES, CA 90034	EQUIPMENT RENTAL	11/18/96	\$2,018.75	\$1,009.38	\$1,009.38
CATEGORY: FUNDRAISING/VICTO EVENT YEAR-TO-DATE: \$2,387,103.51					
FULL NAME, MAILING ADDRESS & ZIP CODE	PURPOSE/EVENT	DATE	TOTAL AMOUNT	FEDERAL SHARE	NON-FEDERAL
HOWARD, ELAINE 1778 LANIER PLACE, N.W. APT. L-8 WASHINGTON, DC 20003	OFFICE EXPENSES	11/19/96	\$78.83	\$39.42	\$39.42
CATEGORY: FUNDRAISING/VICTO EVENT YEAR-TO-DATE: \$2,387,103.51					
FULL NAME, MAILING ADDRESS & ZIP CODE	PURPOSE/EVENT	DATE	TOTAL AMOUNT	FEDERAL SHARE	NON-FEDERAL
LUCENT TECHNOLOGIES, INC. EQUIPMENT P.O. BOX 371358 PITTSBURG, PA 15288-7358	TELEPHONE	11/19/96	\$1,344.45	\$672.23	\$672.23
CATEGORY: FUNDRAISING/VICTO EVENT YEAR-TO-DATE: \$2,387,103.51					
FULL NAME, MAILING ADDRESS & ZIP CODE	PURPOSE/EVENT	DATE	TOTAL AMOUNT	FEDERAL SHARE	NON-FEDERAL
WORLD WIDE TRAVEL 2228 COTTONDALE LANE P.O. BOX 2701 LITTLE ROCK, AR 72203-2701	AIRFARE	11/20/96	\$124.00	\$62.00	\$62.00
CATEGORY: FUNDRAISING/VICTO EVENT YEAR-TO-DATE: \$2,387,103.51					
SUBTOTAL OF JOINT FEDERAL AND NON-FEDERAL ACTIVITY THIS PAGE					
TOTAL THIS PERIOD (last page for each line only/Fed share to 21 a i and non-Fed share to 21 a ii)					
TOTAL THIS PERIOD FOR THE NON-FEDERAL (used for line 31 of the detailed summary page)					

DISBURSEMENT SCHEDULE B-T

FOR LINE 21e

NAME OF COMMITTEE

DNC Services Corp. / Democratic National Committee

FULL NAME, MAILING ADDRESS & ZIP CODE	PURPOSE/EVENT	DATE	TOTAL AMOUNT	FEDERAL SHARE	NON-FEDERAL
OGLE, PATTI 1310 N. NELSON ARLINGTON, VA 22201	CAR RENTAL	10/24/96	\$318.25	\$158.13	\$158.13
CATEGORY: FUNDRAISING/VICTO EVENT YEAR-TO-DATE: \$2,387,103.51					
FULL NAME, MAILING ADDRESS & ZIP CODE	PURPOSE/EVENT	DATE	TOTAL AMOUNT	FEDERAL SHARE	NON-FEDERAL
BURKE, NANCY 1753 LANIER PLACE, N.W. WASHINGTON, DC 20009	PER DIEM	10/24/96	\$90.00	\$45.00	\$45.00
CATEGORY: FUNDRAISING/VICTO EVENT YEAR-TO-DATE: \$2,387,103.51					
FULL NAME, MAILING ADDRESS & ZIP CODE	PURPOSE/EVENT	DATE	TOTAL AMOUNT	FEDERAL SHARE	NON-FEDERAL
BURKE, NANCY 1753 LANIER PLACE, N.W. WASHINGTON, DC 20009	TRAVEL EXPENSES	10/24/96	\$29.40	\$14.70	\$14.70
CATEGORY: FUNDRAISING/VICTO EVENT YEAR-TO-DATE: \$2,387,103.51					
FULL NAME, MAILING ADDRESS & ZIP CODE	PURPOSE/EVENT	DATE	TOTAL AMOUNT	FEDERAL SHARE	NON-FEDERAL
H.W.P.C. 3879 MOTOR AVE. SUITE 302 LOS ANGELES, CA 90034	TELEPHONE	10/25/96	\$1,162.00	\$581.00	\$581.00
CATEGORY: FUNDRAISING/VICTO EVENT YEAR-TO-DATE: \$2,387,103.51					
FULL NAME, MAILING ADDRESS & ZIP CODE	PURPOSE/EVENT	DATE	TOTAL AMOUNT	FEDERAL SHARE	NON-FEDERAL
H.W.P.C. 3879 MOTOR AVE. SUITE 302 LOS ANGELES, CA 90034	MESSENGER SERVIC	10/25/96	\$103.00	\$51.50	\$51.50
CATEGORY: FUNDRAISING/VICTO EVENT YEAR-TO-DATE: \$2,387,103.51					
FULL NAME, MAILING ADDRESS & ZIP CODE	PURPOSE/EVENT	DATE	TOTAL AMOUNT	FEDERAL SHARE	NON-FEDERAL
HOFFMAN 220 GODFREY ROAD EAST WESTON, CT 06883	AIRFARE	10/29/96	\$3,381.00	\$1,690.50	\$1,690.50
CATEGORY: FUNDRAISING/VICTO EVENT YEAR-TO-DATE: \$2,387,103.51					
FULL NAME, MAILING ADDRESS & ZIP CODE	PURPOSE/EVENT	DATE	TOTAL AMOUNT	FEDERAL SHARE	NON-FEDERAL
ALAMO RENT A CAR DRAWER CS 198154 ATLANTA, GA 30384	CAR RENTAL	11/1/96	\$721.80	\$360.90	\$360.90
CATEGORY: FUNDRAISING/VICTO EVENT YEAR-TO-DATE: \$2,387,103.51					
SUBTOTAL OF JOINT FEDERAL AND NON-FEDERAL ACTIVITY THIS PAGE					
TOTAL THIS PERIOD (last page for each line only/Fed share to 21 a i and non-Fed share to 21 a ii).....					
TOTAL THIS PERIOD FOR THE NON-FEDERAL (used for line 31 of the detailed summary page)					

Democratic National CommitteeSteve Grossman, *National Chair* ★ Governor Roy Romer, *General Chair*

May 8 5 46 PM '97

May 8, 1997

Ms. Debbie Manzano
Reports Analyst
Federal Election Commission
999 E Street, N.W.
Washington, DC 20463

ID#: C00010603

RE: Response to letters of April 23, 1997 to Carol Pensky,
Treasurer, DNC Services Corporation/Democratic National Committee.

Dear Ms. Manzano:

The DNC is in receipt of your letters of April 23, 1997. In these letters, you request clarification of the following items from our 1996 30 Day Post-General Report, which covered the period from October 17, 1996 through November 25, 1996:

1) You state that a contribution from America Presents, Ltd., disclosed on Line 11(c), does not appear to be from a federally registered political committee.

- * Please note that this contribution was transferred to the DNC's Non-Federal Corporate Account on December 4, 1996 (A copy of the Page from our Year-End report reflecting this transfer is enclosed).

2) You request that refunds disclosed on Line 28(a) be amended to reflect the original date and identity of each contribution refund listed on this Schedule.

- * Enclosed, please find an amended Schedule B, Line 28(a) that includes this information.

3) You state that Column B for Lines 6(c), 7, 18, 19, 21(a)(ii), 21(c) and 30 appear to be incorrect.

- * This error was corrected by the DNC in an amendment dated April 17, 1997.

Ms. Debbie Manzano
May 8, 1997
Page Two

4) You state that the amount disclosed on Line 11(a)(i) does not equal the amounts on the detailed summary pages. The DNC disclosed \$4,376,502.10 on its detailed summary page for this line. You state that the sum of the entries on Schedules A for this line total \$4,344,727.97.

- * Please note that the following pages (p.p. 988, 1176, 1561-1580) appear to have been inadvertently omitted from the original report, and are included herein. The total amount for these pages is \$33,023.13. This brings the total amount for Line 11(a) to \$4,377,751.10.

5) You ask for clarification of the nature of refunds for the following vendors.

'96 DNCC - These payments reflect reimbursement by the DNCC for payroll expenses incurred by the DNC on behalf of the DNCC.

Direct Mail Management - This payment reflects a refund for an overpayment of postage for direct mail fundraising.

Typed Letters Corp. - This payment reflects a refund for an overpayment of postage for direct mail fundraising.

6) You state that the beginning balances for certain vendors do not match the closing balances disclosed on the DNC's Pre-General Report.

- * Please find an amended Schedule D which corrects these discrepancies. Please note that for U.S. Healthcare, the change corrects an error for the Pre-General Report, not the Post-General Report.

7) You state that the DNC's report discloses an opening balance for Greenberg Research, Inc., but this vendor is not included on the Pre-General Report.

- * Please find an amended Schedule D for the Pre-General Report which corrects this discrepancy.

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May 8, 1997
Page Three

8) You ask that all in-kind contributions disclosed on Schedule H4 be crossed referenced to its offsetting entry on Schedule H3. Furthermore, you ask that the DNC disclose any transfers to pay for, or escrow the federal portion of in-kind contributions.

- * Enclosed please find amended Pages H3 and H4 that cross-reference all allocable non-federal in-kind contributions received. Pursuant to FEC Advisory Opinion 1992-33, the DNC does not attempt to make a contemporaneous transfer of federal funds each time it receives a non-federal, allocable, in-kind contribution. Rather, the DNC intermittently makes bulk transfers of federal funds from its federal account to a DNC "In-Kind Escrow" account, which represents a good-faith estimate of the federal portion of non-federal, allocable, in-kind contributions to be received at some future date by the DNC. As information regarding in-kind contributions become available, the DNC then makes a transfer, based on the actual value of in-kind contributions received, from the In-Kind Escrow account to the Non-Federal Corporate account. During the first six months of 1996, the DNC transferred \$80,000 to this account for anticipated in-kind contributions received. During the Pre-General reporting period, the DNC transferred \$150,000 to this In-Kind Escrow account. During the Year-End period, the DNC transferred an additional \$150,000 to this In-Kind Escrow account.

9) You state that several disbursements to federal and non-federal committees do not qualify as allocable disbursements, and request that the DNC transfer the non-federal portion back to its non-federal account.

- * Non-Federal Payments - Payments to the following vendors (The New Jersey Lesbian & Gay Committee, L.A. Vote, African American Institute, Montgomery Improvements Association, National Coalition of Black Voters Participants) were contributions to various non-profit and political groups that undertook non-partisan Get-Out-The-Vote projects during the 1996 election cycle. Although the DNC believes that it could have legitimately contributed to these groups using solely non-federal funds, the DNC decided to allocate these contributions after being made aware of the FEC's findings in connection with an audit of one of the Democratic party's state committees. In this audit, the Commission ruled that the state party committee should have treated such contributions to non-partisan or non-federal get-out-the-vote

Ms. Debbie Manzano
May 8, 1997
Page Four

groups as allocable generic voter drive expenditures. See Report of the Audit Division on the Democratic State Central Committee of California - Federal, p.p. 16-20 (Approved August 29, 1996). Consequently, the DNC believes that it properly treated these payments in accordance with FEC precedents.

- * Congressman Cleo Fields - These payments were made directly to Cleo Fields for generic voter drive activities done on behalf of the DNC during 1996. During this period, Mr. Fields was no longer a member of Congress. Enclosed, please find amended Schedules H4, which reflect a current address for Mr. Fields.
- * Payments to Federal Committees - Payments to the following committees (Clinton/Gore '96, Democratic Senatorial Campaign Committee, Democratic Congressional Campaign Committee) were dollar-for-dollar reimbursements for expenditures paid for on behalf of the DNC by these committees. For the reasons set forth in our two letters of March 26, 1997, and our letter of April 18, 1997, the DNC believes that the treatment of these payments as operating expenditures was proper. Therefore, the DNC will not make any transfers to its non-federal account in connection with these payments at this time. Furthermore, in John Gibson's letter of April 7, 1997 to the DNC, he attempted to distinguish the DNC's payments to a non-connected PAC by stating that the precedent cited by the DNC in the above mentioned letters involved affiliated party committees and candidates. Therefore, it is our assumption that since Mr. Gibson tried to distinguish, rather than repudiate those precedents, Mr. Gibson acknowledges that such payments are permissible.

10) You state that payments to the Hollywood Women's Political Caucus ("HWPC") should not have been disclosed as an expenditure on Schedule H4. Rather, these expenditures should have been disclosed as contributions to another federal committee.

- * These payments represent dollar-for-dollar reimbursements for payments made on behalf of the DNC by the HWPC. The DNC reiterates its arguments made in its letters of March 26, 1997 and April 18, 1997 regarding your characterization of these expenditures. Therefore, the DNC will not make any transfers to its non-federal account in connection with these payments at this time.

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May 8, 1997
Page Five

11) You ask that the DNC provide addresses for all vendors on Schedule H4 for which such addresses were omitted.

- * Enclosed please find an amended Schedules H4 which includes all omitted addresses for Line 21(a).

12) You state that the amount disclosed on the last page of Line 21(b) does not match the total amount of expenditures disclosed on the this line.

- * Enclosed please find an amended Page 2 of Line 21(b) which corrects the amount paid to Western Union. This correction clarifies the discrepancy between the amount on Schedule B and the cover pages.

13) You ask for clarification of all media expenditures made by the DNC on Schedule H4.

- * All media expenditures disclosed on Schedule H4 were for "generic" media. These media expenditures were not made on behalf of any specific federal candidate.

14) You ask that the DNC provide addresses for all vendors on Schedule B, Line 5 for Non-Federal Finance Fund for which such addresses were omitted.

- * Enclosed please find an amended Schedule B which includes all omitted addresses for Line 5 of Non-Federal Finance Fund.

15) You state that the total contributions on Line 1 of Non-Federal Unincorporated does not equal the amount disclosed on the summary page.

- * The DNC has reviewed Line 1 of Schedule I of the Non-Federal Unincorporated account, as amended, and the accompanying Schedules A. Our review shows that the entries disclosed on Schedules A equal the amount disclosed on Line 1 of Schedule I. Therefore, no further amendment is necessary. Please note that NSF checks disclosed for the Year-End Report (\$31,000; amended to \$27,500) should applied to the Year-End report, and not to the Post-General Report.

Ms. Debbie Manzano
May 8, 1997
Page Six

16) You state that certain pages of Line 11(a) omit the date of receipt.

- * Please find amended pages of Schedule A which include this information.

17) You state that certain information was omitted from Schedule D.

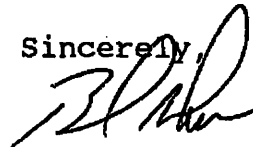
- * Enclosed, please find an amended Schedule D which includes this omitted information.

18) You state that our amended report discloses a payment on Schedule D to Malchow & Company, but that this payment is not found on Schedule B.

- * Enclosed please find an amended Schedule D which clarifies this discrepancy. Schedule D should have disclosed a debt owed to Malchow, Adams & Hussey, not Malchow & Company.

If you have any further questions, please contact me at the address below.

Sincerely,



Bradley K. Marshall
Assistant Treasurer

21-04-403-007



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

RQ-3

May 22, 1997

Carol Pensky, Treasurer
DNC Services Corporation/Democratic
National Committee
430 South Capitol Street SE
Washington, DC 20003

Identification Number: C00010603

Reference: 30 Day Post-General Report (10/17/96-11/25/96)

Dear Ms. Pensky:

On April 23, 1997, you were notified that a review of the above-referenced report(s) raised questions as to specific contributions and/or expenditures, and the reporting of certain information required by the Federal Election Campaign Act.

Your May 9, 1997 response is incomplete because you have not provided all the requested information. For this response to be considered adequate, the following information is still required.

-Your response reiterates comments made in your letter dated March 27, 1997. In that response concerning payments to the Hollywood Women's Political Committee, you cite Advisory Opinion 1995-22 and MURs 2345 and 2611; however, these examples are not analogous to your present situation with the Hollywood Women's Political Committee. AO 1995-22 involves two affiliated national party committees disclosing reimbursements as negative disbursements on Schedule H4. MUR 2345 and MUR 2611 are not applicable examples because both involve a state party committee receiving transfers from either a national party committee or a candidate committee.

Commission acknowledges that, if your committee had paid the vendors directly rather than disbursing the monies through the Hollywood Women's Political Committee, then these expenses would be lawful shared allocable expenses. 11 CFR §106.5 However, the disbursement included monies from your non-federal account which, when contributed to another political

committee registered with the Commission, results in the recipient committee receiving impermissible funds. 2 U.S.C. §441b(a)

The disbursements (pertinent portions attached) to Hollywood Women's Political Committee appear to also exceed the contribution limit of \$5,000 for a qualified multi-candidate committee to another political committee. 2 U.S.C. §441a(a)(2)(c)

You should notify Hollywood Women's Political Committee that you made a prohibited and excessive contribution and request a refund of the entire prohibited non-federal share of the "reimbursement". You should also request a refund from Hollywood Women's Political Committee of the amount that exceeds \$5,000 of the federal share.

The Commission requests further clarification concerning the role of Hollywood Women's Political Committee in the Democratic National Committee's fundraising activity and the arrangement that existed between your two committees for the fundraiser.

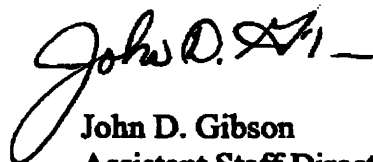
Although the Commission may take further legal action regarding this activity, your prompt action will be taken into consideration.

-On Schedule H4 supporting Line 21(a) of the Detailed Summary Page, you have not included the full name and/or mailing address for the vendor(s) listed. Please amend your report accordingly for the \$5,000 payment on 11/4/96 to the Montgomery Improvements Association (see Page 70 of 241 on Schedule H4).

If this information is not received by the Commission within fifteen (15) days from the date of this notice, the Commission may choose to initiate audit or legal enforcement action.

If you should have any questions related to this matter, please contact Debbie Manzano on our toll-free number (800) 424-9530 or our local number (202) 219-3580.

Sincerely,



John D. Gibson
Assistant Staff Director
Reports Analysis Division

Democratic National Committee

Steve Grossman, National Chair ★ Governor Roy Romer, General Chair

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COMMISSION
REPORTS ANALYSIS
DIVISION

JUN 11 8 13 AM '97

June 10, 1997

Mr. John D. Gibson
Assistant Staff Director
Reports Analysis Division
Federal Election Commission
999 E Street, N.W.
Washington, DC 20463

HAND DELIVERED

ID#: C00010603

RE: Response to letter of May 22, 1997 to Carol Pensky, Treasurer,
DNC Services Corporation/Democratic National Committee.

Dear Mr. Gibson:

The DNC is in receipt of your letter of May 22, 1997. In this letter, you request clarification of the following items from the 30 Day Post-General Report, which covered the period from October 17, 1996 through November 25, 1996.

1) You continue to question reimbursements made to Hollywood Women's Political Caucus ("HWPC") made during this period and earlier reporting periods.

- * The DNC continues to reiterate its comments made in earlier letters. The DNC believes that the nature of these transactions should not be altered merely because the payments to DNC vendors merely "passed through" a federal political committee (The Commission even acknowledges that these transactions were in the normal course of business by stating that the payments were legitimate allocable expenses, "but for" the funds being "contributed" to HWPC. The DNC continues to contend that this transaction is not a contribution. Furthermore, the HWPC has disclosed this transaction as an offset to expenditure, and not as a contribution). DNC and HWPC entered into an arrangement whereby as part of the HWPC's assistance in the production of a fundraising event, HWPC dealt directly with and paid vendors for their services in connection with this event. HWPC sought, and received, immediate dollar-for-dollar reimbursement for those payments. The DNC continues to believe that these payments constitute legitimate allocable fundraising expenses, and not a contribution to a contribution to a federal political committee. Therefore, the DNC does not intend to transfer any funds to its non-federal account at this time, or to pursue any requests for a refund from HWPC at this time.

Mr. John Gibson
June 10, 1997
Page Two

2) You have asked for a complete address for a payment to Montgomery Improvement Association (Page 70 of Schedule H4).

* The address is as follows:

Montgomery Improvement Association
720 S. Hull Street
Montgomery, AL 36104

If you have any questions regarding this letter, please contact me at the address below.

Sincerely,



Bradley K. Marshall
Assistant Treasurer

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